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Weekly Contributions
Latin America Division, ONE, CIA
17 January 1950

This week D/IA finds two items of particular interest: that on prospects for Brazilian manganese (p. 3), and that on the intensification of anti-democratic activities in Argentina (p. 6).

CURRENT DEVELOPMENTS

NORTHERN AREA: In Jamaica the effect of general elections is favorable to US interests (p. 2).

CENTRAL AREA: In Venezuela Communist influence among oil workers seems to be growing (p. 2). Recent Brazilian government action adversely affects US manganese prospects (p. 3). In Brazil, anti-US charges have been revived by ex-president Vargas (p. 4).

SOUTHERN AREA: In Bolivia, a recent attempted revolt has resulted in the declaration of a state of siege (p. 4). Peru's coming elections will result in no significant political change (p. 5).

SPECIAL SUBJECTS

Argentina; Intensified Anti-democratic Activities
and Economic Instability 6

The Current Situation in Ecuador. 8

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1. JAMAICA: Effect of General Elections

Alexander Bustamante's incumbent Jamaica Labour Party (JLP) has won 17 of the 32 House of Representative seats in Jamaica's recent general elections and thus retains control of the government. Balloting was reasonably orderly, with about 60% of the 700,000 eligible voters going to the polls. The JLP's victory over Norman Manley's rival People's National Party (PNP) was tempered by the following factors: the JLP failed to win a popular majority; in comparison with the 1944 results, the JLP won six fewer seats, whereas the PNP increased its representation from five to thirteen; the JLP lost control of Kingston's municipal administration; and several of Bustamante's ablest lieutenants were not reelected. Unless the JLP loses its majority through defections or by-elections, however, it will remain in office for the next five years. Bustamante's hatred for his first cousin, Manley, is so thoroughly reciprocated that a coalition government is out of the question.

Bustamante's strength lay in the tacit support of the business community, which endorsed his advocacy of free enterprise "as in the US", and in his ability to sway the unlettered rural masses with flamboyant demagoguery. Manley, a more serious politician, offered a comprehensive program of state socialism which attracted the votes of the middle class and of the urban poor who had suffered most from Jamaica's postwar economic dislocation. The influence of the JLP will probably continue to decline with the gradual increase of literacy -- the mental caliber of the new House, particularly among the PNP members, is distinctly higher than that of the old -- and if, as seems likely, there is no material improvement in the over-all economic situation. The death or incapacitation of the aging and ailing "Busta" would precipitate the disruption of the Party.

The elections will retard progress toward a British West Indian Federation as Bustamante is cool to the idea, and his implacable hostility toward socialization will discourage any possible plans of the UK Labor Government for the nationalization of the British West Indies sugar industry. While remaining politically loyal to the British Crown, Bustamante will direct considerable attention to the possibility of closer economic relations with Canada and the US and will strive to become increasingly independent of the Colonial Office in negotiating trade agreements. US security interests are favored by the reelection of Bustamante who has repeatedly in word and deed expressed sincere admiration for this country in contrast to the anti-US attitude of several PNP leaders.

2. VENEZUELA: Evidence of Growing Communist Influence Among Oil Workers

The Communist campaign for collaboration between independent and Communist oil workers' syndicates has been advanced by the partial capitulation of the Sindicato de Obreros y Empleados Petroleros (SOEP)

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of Cabimas, one of the strongest independent unions in the Western Venezuela oil fields, and one which has until recently resisted pressure for cooperation with the Communist syndicates (see D/LA Wkly, 29 Nov 49). Two manifestos were issued jointly by the SOEP and the Communist Sindicato de Trabajadores Petroleros (STP) of Cabimas in mid-December, protesting the closing of the Creole refinery at La Salina. Further evidence of cooperation between these syndicates is the report that the claims agents of the two syndicates have gone together to Caracas to discuss the refinery shut-down with the labor minister.

The present Communist campaign is undoubtedly embarrassing to the government, which, having prevented unification of the independent syndicates in a revived "blue" federation, now faces a possibly more dangerous form of labor unity. Cooperation between "red" and "blue" syndicates has thus far been limited to such instances of parallel action as those described above, and it is by no means certain that the "blue" unions would consent to a merger. An open merger would in any case be easy to prevent; the government will, however, find it more difficult to frustrate the kind of parallel action now being initiated, which will probably increasingly bear the stamp of Communist leadership.

3. BRAZIL: Lessened Prospects for Manganese Supply

The recent action of the Brazilian government in denying the US Steel Corporation permission to mine manganese ore at the Urucum deposits is adverse to US security interests in supply of critical materials, particularly since the importance of Brazil as a supplier of manganese to the US has increased considerably in view of procurement difficulties that have developed elsewhere. Exploitation at Urucum will now be delayed at least an additional year. In addition, desired volume of exports from the Amapa deposits are still approximately three years in the future, and exports from currently exploited deposits are behind schedule.

Brazilian denial to US Steel of permission to exploit the Urucum deposits -- which contain estimated reserves of 35,000,000 tons, the largest in the Western Hemisphere -- came almost a year after the original application. It is based on the constitutional requirement that any enterprise within a zone 150 kilometers from a national boundary be controlled by Brazilian nationals. Any new negotiations, perhaps along lines taken by Bethlehem Steel Co. and a Brazilian concessionaire over the Amapa deposits (D/LA Wkly, 28 Jun 49), will possibly delay for another year the initiation of any development and equipment of the mines. It would then take approximately an additional two years to set up the necessary equipment and organization in order to start a substantial flow of manganese ore to the US.

It is true that negotiations regarding the Amapa deposits seem to be approaching a satisfactory conclusion, and a company may be established early this year (D/LA Wkly, 28 Jun 49). It will take a minimum of two years, however, to construct the necessary railroad and port

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facilities before any substantial amounts of manganese can be exported from these deposits. D/LA estimates that annual exports from Amapá of more than 100,000 tons will not be realized until 1953.

During 1949 Brazil's exports of manganese to the US fell about 60,000 tons short of the 200,000 tons previously estimated as possible by responsible US government officials because of the transportation difficulties of the Central Railroad which hauls the ore from the mines to the port of Rio de Janeiro. Although officials of the Brazilian Foreign Office have promised to help expedite the shipments over this government-owned railroad (D/LA Wkly, 11 Oct 49), there has been no marked improvement, and less than 35,000 tons have been exported to the US since October. Unless there is a marked improvement in the shipment of this vital ore over the Central Railroad during the next year -- and this does not appear likely at this time -- the exports to the US in 1950 will again fall short of the 200,000 tons for which US officials had hoped.

4. Vargas Blast No Danger to US Relations

Ex-president Getulio Vargas' revival of his old charges that US Ambassador Berle precipitated the 1945 military coup that deposed Vargas, and his new allegation that Berle acted under orders of former Assistant Secretary Braden who was opposed to Vargas because of his nationalistic policies restricting foreign exploitation of Brazil's mineral wealth, are clearly an effort to turn the popular cause of Brazilian exploitation of national resources to his own political advantage. A successful campaign emphasizing "defense" of domestic natural resources and hitting US "economic imperialism" could give US-Brazilian economic cooperation a serious setback. Fortunately, however, Vargas' statements have already brought an angry reaction from several Brazilian army generals of diverse political sympathies, who reportedly insist that the army alone was responsible for ousting him. Any campaign that attempts to tie in charges of US political intervention will always run afoul of the military, since the army cannot tolerate any suggestion that Brazil does not act as an independent and sovereign nation. Consequently, D/LA estimates that Vargas' recent anti-US blast will not have an appreciable adverse effect on US security interests.

5. BOLIVIA: MNR Flare-up Results in Declaration of State of Siege

Unrest, precipitated by reports of MNR-led revolt attempts in Oruro and Potosí on 13 January, constitutes a new test for the Urriolagoitia government, which has been weakened by army dissension, economic crisis, and political scandals (D/LA Wkly: 8 Nov 49; 6 Dec 49; 28 Dec 49). The government's prompt action in declaring a state of siege and rounding up known MNR leaders has apparently prevented a revolt at this time, but the friction within the government between the army commander-in-chief and civilian leaders must be considered in connection with the MNR's continued potential as a source of trouble.

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The future success of the MNR appears to depend on its ability to win military support, just as its failure to win substantial military support apparently ruined its chances for success in the 13-14 January flare-up. Inasmuch as the military holds the balance of power between the civilian government and its persistent MNR enemies, D/LA estimates that, whatever the activities of the MNR, the army will increase its control of the government and that the prospects for continuation of the present all-civilian, democratic government -- which has been very cooperative with the US -- are rather poor.

6. PERU: Odría Expected to Be Presidential Candidate in July Elections

Increasing political pressure for a return to constitutional processes, plus a fairly sincere desire on the part of the Odría regime for legitimacy in the eyes of other countries, seem to be the reasons for a decree providing for general elections on 2 July 1950. A president is to be elected (despite constitutional problems not yet resolved) as well as a congress (D/LA Wkly, 18 Oct 49). Odría has already been nominated for the office by one political group and, although he has not yet accepted, conjecture in Peru seems to revolve principally around the question as to whether he will be elected for the unexpired portion of President Bustamante's term or for a full six-year term. The constitutional problem is whether the relevant provisions will be satisfied by Odría's resignation immediately before the election. No announcement has been made as to Odría's resignation plans, although a decree has stated that resignation of executive posts by 19 January will qualify congressional candidates. (Resignation six months before election is the constitutional requirement for congressmen; no specific period is mentioned for presidential candidates, although they cannot hold the post at the time of the election and cannot assume office until six months after election.)

The announced elections will probably be held and, although they could scarcely be free or democratic, they represent a gesture towards constitutionality, and as such will no doubt strengthen the national and international position of the present regime. D/LA estimates that Odría's election depends only on the formality of his acceptance of the nomination and that this will probably be forthcoming. In any case, the present regime will almost certainly continue in power as it controls the government and the electoral machinery, influential political groups, and the majority of the armed forces.

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Intensified Anti-democratic Activities and Economic Instability

During the past two months the Perón administration has resorted increasingly to anti-democratic measures -- despite its recognition of need for US financial assistance -- because of concern for political repercussions from adverse economic conditions.

Perón's recent repressive measures stand in ironic contrast to his plea for a "healthy opposition" to his administration. The recent expulsion from the Chamber of Deputies of a Radical Party leader -- who had accused Perón of self-enrichment in public office -- was allegedly in preparation for the first implementation of the newly passed "Cag Law"; there were indications that three other Radical Party leaders might be dealt with in the same fashion. A joint congressional committee, which has taken upon itself the declared task of investigating "anti-Argentine activities," has closed forty-eight newspapers -- including, among the more influential ones, a leading Radical daily and the two most important Communist publications -- for an indefinite period and has seized the records of many other political and commercial concerns including four Communist-front organizations. Editors of the two leading Buenos Aires independent newspapers, who by indirect reference echoed the accusation against Perón, found themselves targets for Perón-instigated "Cag Law" suits (which have yet fully to materialize). With few exceptions, the attacks were directed against organizations which have either criticized the present regime or were suspected of aiding the cause of the anti-Perón political coalition of 1946.

Perón's vigorous actions against the opposition and the press were probably designed to accomplish four objectives: 1) to counteract the effects of the opposition's vigorous exploitation of the administration's economic plight; 2) to provide a new stimulus for the consolidation and unification of Peronista support; 3) to distract the attention of the public from the adverse economic situation; and 4) to prepare for an anti-US propaganda campaign if the foreign trade situation does not improve, or if US economic collaboration is not forthcoming (a prominent feature of this campaign would be an "exposé" of the anti-Perón activities of the "Braden-Union Democratica coalition" in 1946).

An immediate factor provoking the current intensification of anti-democratic procedures appears to have been the weakening of Perón's vital labor support. Strong undertones of worker resistance to government labor controls, and labor bitterness against intervention in union affairs by the CGT (government-dominated labor federation) were evidenced in a recent strike wave. As yet, movements by labor against government and CGT controls have been isolated and uncoordinated, but the number of discontented

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apparently has grown and opposition elements show increasing boldness in attacking the administration's labor policy.

The gravity with which Perón must view the potential threats to the stability of the government is particularly apparent when the intensification of anti-democratic measures is considered in the light of his recognition of Argentina's urgent need for US financial assistance to extricate itself from its financial and economic impasse. It is true that steps have been taken in recent months which, if carried out, would in time rehabilitate the Argentine economy; measures initiated were designed to restore Argentina's international credit standing, to promote agricultural production, and to expand foreign trade. Furthermore, strong emphasis has been placed on improving commercial relations with the US. During 1946-48, however, the economy had been allowed to deteriorate under the misguided state-trading and financial policy. Now, as the result, there is some question whether or not the government can withstand the acute financial stress -- aggravated by continuing labor demands -- for sufficient time to permit economic reform to alleviate political pressures.

Two possibilities are indicated by Perón's intensification of anti-democratic practices at a time when he is energetically exploring means to improve trade with the US, and at a time when he recognizes Argentina's urgent need for US financial assistance: 1) that Perón is not aware of the importance to the US of the promotion of democracy in the Hemisphere, or 2) that, despite such awareness, he considers the political situation so unstable as to require repressive measures even at the risk of adverse influence on possible US financial assistance.

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The Current Situation in Ecuador

(Summary -- The government continues to be relatively stable as the opposition groups lack cohesion and organization. The prospects for economic improvement are slightly better. Reports of disaffection in the army continue. The Communist Party still lacks unity and effective leadership and has recently suffered a decline in prestige. No serious problems at present disturb Ecuador's international relations.

-- The current Ecuadoran situation contains no elements which cause or immediately portend noticeable change in the status of US security interests in the area.)

Political

25X1 Despite an increase [] revolutionary plotting, President Plaza's position appears to be somewhat better, if anything, than it was several months ago. It is not to be considered, however that his administration is no longer in a precarious position. Plaza's continuing popularity, coupled with the fact that the people generally are tired of political instability, indicate any revolutionary movement would not have strong civilian support. At the same time, however, this weariness will prevent the civilian population from coming to Plaza's aid in any army coup, for such aid would merely prolong the chaos. There are a sufficient number of ambitious persons, civilian and military, desirous of gaining power, and it is apparent that any action toward that end merely awaits the perfection of their organization and the acquisition of adequate funds with which to subvert the all-too-easily corruptible army units. At the moment, there is too much rivalry among the potential revolutionary leaders and too little money to make a coup likely in the weeks immediately ahead, although the situation can truly be described as one in which "anything can happen."

The two currently most active revolutionary movements are those of Carlos Guevara Moreno in Guayaquil and Col. César Alfaro in Quito. Since the Guevara-sponsored candidate, Rafael Mendoza Avilés, was defeated in the Guayaquil mayoralty election, Guevara has now a more compelling reason to resort to illegal maneuvers to further his plans than would have been the case had Mendoza won the election. Col. César Alfaro has some support in the army, but cannot count on all dissatisfied army men because many favor the revolutionary activities of Col. Carlos Mancheno. [] indicate that none of these groups alone has a sufficient following to stage a successful coup, it may be assumed that a threat to the present government will arise only if the various revolutionary leaders, who generally dislike each other, overcome their rivalry and distrust long enough to cooperate in a revolutionary venture.

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Meanwhile, several recent events should improve President Plaza's position within the country. The recent Export-Import Bank loan, the adoption of measures short of outright general devaluation to solve the financial crisis, and certain actions designed to court the favor of the army (see Military section) should serve to win greater support for him. In addition, Plaza has been continuing his efforts to reconstitute the MCDN, which put him in office (D/LA Wkly, 30 Aug 49). The prospects for a successful revival of the MCDN should be enhanced by Plaza's growing tendency to fill vacancies with MCDN men. The results of the municipal elections held early in November were generally favorable to the Plaza administration. In the more important elections, only in Guayaquil did the pro-Plaza candidate win by a small margin. It is significant to note that in the Guayaquil elections Plaza departed from his policy of neutrality in local elections and openly supported Rafael Guerrero Valenzuela, presumably because it was feared that the election of Rafael Mendoza Avilés would considerably strengthen the position of the subversive Guevara Moreno group which was backing Mendoza.

Economic

Ecuador's economic situation has slightly, but not significantly, improved. The country still suffers from the heavy losses resulting from the earthquake (5 Aug 49), and from the impairment of the financial situation by the decline in prices of important agricultural products in the latter half of 1949. Recent efforts to improve this situation have not had any marked beneficial effect. The financial situation, generally, has been deteriorating, due largely to the current low world price for Ecuador's principal export commodity, rice. An alarming reduction in the reserves of the Central Bank has resulted because the country has been maintaining a more or less normal import volume while at the same time having been able to dispose of only a fraction of the rice surplus.

The expected beneficial effects of several recent measures designed to improve Ecuador's foreign exchange balance have not yet been felt. One of the measures, taken chiefly to stimulate rice exports, is the initiation of a new exchange rate of 15 sucres to the US dollar for exports (in reality a limited devaluation to benefit exporters). So far, Plaza has been able to resist pressure for a general devaluation from certain business interests and from the government's Monetary Commission (Junta Monetaria) which has recommended devaluation from 13.5 sucres to 18.2 sucres to the US dollar. A revision of import lists, to effect an \$8,000,000 reduction in imports in 1950, is planned. This revision consists of moving many products from the "essential" list to the "necessary" and from the latter to the "luxury" list.

It is believed that Plaza will continue to resist minority pressure for general devaluation so long as possible in order to avoid the inevitable

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popular dissatisfaction with such devaluation. Also, he seems determined to retain the multiple exchange system to preserve the capitalization of the Development Corporation, which is financed by exchange differentials and charges.

A US loan of \$7,000,000, approved by the Export-Import Bank in December, to be used for the purchase of US machines and services for highways, for railroad equipment, and for other projects yet to be approved, has not yet benefited the economy. It will, of course, help in the process of reconstruction, but it is likely that its potential benefits to Ecuador will not be fully realized due to the graft and inefficiency which will probably characterize its administration.

New taxes, recently imposed by the government, are being used to reconstruct devastated areas; this reconstruction, which is progressing slowly, will eventually benefit the country, but the effects, thus far, have not been felt.

D/IA estimates that, despite the still-unfavorable condition of the economy, in view of remedial steps recently taken, there are some prospects for a slight improvement in the next few months.

Military

The government has recently adopted measures calculated to increase the loyalty and support of the armed services. Pay increases, effective 1 February 1950, are to be announced soon. Congress has recently assigned the revenue from taxes levied on the fishing industry to the Ministry of Defense. These taxes will yield an estimated 15-25 million sucres. This money is to be used for the purchases of uniforms, infantry and artillery equipment, anti-aircraft and anti-tank weapons, to finance foreign training of officers especially in the US, and for the construction of barracks and roads.

The army is now below normal strength because those conscripts that entered service in May 1949 were released 15 October with no replacements to date. Although the government stated that this reduction of training from the normal 12 months' period to 5 months was an economy measure, there is reason to believe that, at that time, the government was uncertain of the army's loyalty.

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Reports of dissatisfaction in the army continue to be received. Although undoubtedly there is basis for such reports, opposition elements lack the organization and money necessary for any insurrectionary activity. Consequently, the army as a whole may be expected to remain loyal to the government in the immediate future.

Subversive

The Communist Party continues to be ineffective, and all evidence indicates it will exert even less influence in coming months. Its prestige was weakened by the clear defeat of its candidates in the November municipal elections. There has been increasing disunity within the Party. The prominent Communist, Manuel Arenas Coello, and his followers recently contemplated withdrawing because Pedro Saad and a considerable group of other PCE members failed to support Arenas' candidacy for the mayoralty of Guayaquil. Dissension is also reported among rank-and-file Party members, many of whom are dissatisfied with the Party officials who, they charge, give too much emphasis to theoretical aspects of Communism and not enough to the penetration of labor unions.

Attempts by some PCE members to gain favor with the newly elected vice-president, Dr. Abel Gilbert, have been reported. Their hopes are based on the fact that Gilbert has always been regarded as a pliable politician and on the fact that his daughter, who is a Communist, may influence him to some extent. Even if the Communists should win Gilbert's support, it would avail them little as he lacks any real following or influence in the government or in congress.

International

No serious problems at present disturb the international relations of Ecuador. The conditions under which the Rio Treaty was signed are further evidence of the government's friendly attitude. Ecuador's election to the Security Council places it in a better position to implement more effectively its attitude toward the UN.

The signing of the Rio Treaty (10 November) is in accord with US security interests. The reason for delay in signing was the desire for assurances that the right to revise treaties would remain intact --- a desire born of Ecuadoran dissatisfaction with the 1942 settlement of the border dispute with Peru. For a long time, Ecuador insisted that the only conditions under which it could subscribe to the treaty would be with a reservation regarding the revision of treaties, conditions undesirable to the US and certain other American republics. Ecuador's final decision, however, was to sign without reservations and to express its views in a declaration, a course encouraged by the US and others.

Ecuador was elected to the Security Council in October; it is expected that in this new position that country will continue to adhere closely to US policies in the United Nations.

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